

BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting (Proposal Five)

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Docket No. RM2017-9

**COMMENTS OF UNITED PARCEL SERVICE ON NOTICE OF
PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL FIVE)
(August 16, 2017)**

United Parcel Service (“UPS”) respectfully submits these comments in response to Commission Order No. 3994 (July 5, 2017) seeking comments on the Postal Service’s Proposal Five, which would replace In-Office Cost System (“IOCS”) sampling data with “more comprehensive census data” from the Time and Attendance Collection System (“TACS”) to determine the share of costs for letter routes and special purpose routes (“SPRs”).

The Postal Service attributes costs to products from regular delivery activities and special delivery activities using two separate cost models. As a result, if delivery activities are misclassified, costs specific to parcel activities may be misallocated to market-dominant products as the wrong model will be applied to them. Since the use of “special purpose” routes—and in particular the use of parcel-only delivery routes—is increasing, the methodology used to determine exactly which activities are “special purpose” and which are not is of critical importance.

The legacy model for this purpose relies on the IOCS. IOCS samples work time to estimate the costs of various activities performed by city carriers and other postal

employees.¹ IOCS data is a “continuous, ongoing probability sample of work time to estimate costs of various activities” performed by Postal Service staff.² The IOCS system is designed to sample “employees at randomly selected points in time throughout the year.”³

Under Proposal Five, the division of city carrier costs between letter routes and special purpose routes would instead rely on the clocking of delivery time under the TACS system. In that system, a carrier assigned to an SPR should use Labor Distribution Code (“LDC”) 23, 24, or 27 for special purpose delivery activities and LDC 21 or 22 for regular delivery activities.⁴

Proposal Five is an improvement over the legacy IOCS model. The Postal Service is correct that using the TACS data would sidestep many of the practical challenges in using the IOCS data. IOCS sampling procedures capture data from only a relatively small fraction of routes and carriers, while TACS is based on a fuller and more robust accounting of costs.⁵ The use of TACS data also sidesteps certain data gathering issues relating to city carrier assistants, including the fact that those

¹ See In-Office Cost System (IOCS) Documentation, Dkt. No. ACR2016, Library Reference USPS-FY16-37, at 1. Entries related to city carrier time record not only information about the route type that a carrier is servicing at a given point in time, but also additional information such as whether the carrier is at a postal facility or on the street, whether they are giving or receiving training, and the activity the carrier was engaged in (e.g. handling mail, preparing the vehicle, handling collection mail) at the time of sampling. See *id.*, “IOCSDataEntryFlowChartFY16.xlsx”, “Q16.”

² *Id.* at 2

³ Order No. 3526, Dkt. No. RM2015-2 (Sept. 22, 2016) at 5-6.

⁴ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), Dkt. No. RM2017-9 (Jun. 30, 2017) (“USPS Petition”), at 1.

⁵ *Id.* at 1-2.

employees are not sampled in the initial weeks of their employment, and that errors arise when city carrier assistants transfer temporarily between offices.⁶

If TACS is to be used for costing purposes, however, the Postal Service needs to ensure that guidelines for the use of LDC codes are clearly defined and followed by Postal Service staff. Historically, this has not been the case. For example, under current procedures, the LDC code used for delivery of parcels to a carrier's own letter route at unusual hours varies over the course of the year.⁷ The Postal Service has also admitted a need to "standardize the use of LDC 23," indicating that this LDC has not been used in a uniform manner prior to the attempted standardization in March of this year.⁸

The new standards for the usage of LDCs codes remain unclear. In its responses to Chairman's Information Request No. 1, the Postal Service describes a large number of situations in which non-standard activities are carried out on a city letter route. These include instances in which carriers perform SPR activities on their regular routes,⁹ when SPR carriers provide auxiliary assistance to regular letter carriers,¹⁰ when regular letter carriers provide assistance on other routes,¹¹ and when foot carriers are

⁶ See *id.* at 2. Potential inaccuracies with IOCS data are further exacerbated given that city carrier assistants are assigned to SPRs more frequently than regular full-time carriers. *Id.* at 3.

⁷ Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 21, Dkt. No. ACR2016 (Mar. 2, 2017), at 2-3.

⁸ Responses of the United States Postal Service to Questions 1-15, 19-20, and 23 of Chairman's Information Request No. 1, Dkt. No. RM2017-9 (Aug. 9, 2017), at 25 (response to Question 15).

⁹ *Id.* at 21 (response to Question 13(a)).

¹⁰ *Id.* at 25-27 (response to Question 15).

¹¹ *Id.* (response to Question 15).

supported by a motorized parcel route.¹² Although the Postal Service often seems to classify such auxiliary activities as regular letter route activities when they are confined to a single letter route, this is not always the case.¹³ At various points in its filings and responses to information requests, the Postal Service refers to SPR activities,¹⁴ special purpose routes,¹⁵ and SPR carriers.¹⁶ It thus remains unclear whether the criteria for classifying the costs associated with a specific activity as regular delivery or SPR costs depend upon the nature of the activity, the nature of the route on which the activity is carried out, or the identity of the carrier performing the activity.

The absence of clearly articulated criteria for determining which activities should be classified as regular letter route activities and which activities should be classified as SPR activities will make it difficult, if not impossible, for the Commission and interested parties to determine whether costs are being attributed accurately.¹⁷ Accordingly, UPS urges the Commission to seek greater clarity from the Postal Service on these issues. To that end, UPS has attached a list of potential questions for the Commission's consideration as Appendix A.

UPS also urges the Commission to monitor the efforts of the Postal Service to implement the proposed guidance on how Postal Service staff should use the various LDC codes. It is important that the new guidelines are followed, and that they

¹² *Id.* (response to Question 15).

¹³ *Id.* at 21 (response to Question 13(a)).

¹⁴ USPS Petition at 3.

¹⁵ *Id.* at 1.

¹⁶ Responses of the United States Postal Service to Questions 1-15, 19-20, and 23 of Chairman's Information Request No. 1, Dkt. No. RM2017-9 (Aug. 9, 2017), at 25-26.

¹⁷ The need for clearly articulated standards for differentiating regular and SPR activities is especially acute in the present situation, where the ongoing decline in traditional mail and rapid growth in parcel volumes are causing the restructuring and reorganization of delivery activities.

adequately address inconsistencies between the code a carrier is clocked into and the activities the carrier is actually performing.

Respectfully submitted,

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APPENDIX A

1. The Postal Service has stated that SPR activities include firm pickups and bulk deliveries, but are not limited to these activities.¹⁸ Please describe the five most common SPR activities, and indicate approximately what percentage of all SPR activities each of these five activities account for.
2. The Postal Service has stated that currently, auxiliary assistance can be given a city letter route by SPR carriers.¹⁹ Please explain how the term “SPR carriers” is defined. Include in this explanation a description of the factors distinguishing SPR carriers from regular letter carriers.
3. Similarly, the Postal Service has stated that auxiliary assistance may be given to city delivery routes by dedicated Parcel Post routes.²⁰ Please describe how one route gives assistance to another, and how this relates to the description referred to in the previous question. Please indicate also whether dedicated Parcel Post routes are considered to be Special Purpose Routes.
4. The Postal Service has stated that, in situations where a carrier has too many parcels to deliver all of them along with letters and flats, a second run may be required, and that these costs would be classified as letter route costs.²¹ Consider a situation in which rather than a letter carrier making a second run on his own route, the second run is performed by an SPR carrier giving auxiliary assistance. Please confirm whether the costs associated with this second run would (or should) only be classified as SPR costs if the SPR carrier is providing auxiliary assistance to more than one city carrier route in a given day.
5. Please confirm that the Postal Service’s TAC system does not currently record the amount of time recorded as LDC code 22 that would correspond to either of the situations described above.
6. Please define the term “bid carriers” as it is used in the Response to Question 1(a) of Chairman’s Information Request 1 in this docket.
7. Please refer to the Postal Service response to Question 23 of Chairman’s Information Request 1. There, the Postal Service stated that the final two hours of the hypothetical scenario, in which the carrier performed delivery activities outside of their regularly assigned carrier route, would be classified as letter route

¹⁸ Responses of the United States Postal Service to Questions 1-15, 19-20, and 23 of Chairman’s Information Request No. 1, Dkt. No. RM2017-9 (Aug. 9, 2017), at 21 (Response to Question 13(a)).

¹⁹ *Id.* at 25-27 (Response to Question 15).

²⁰ *Id.* at 2 (Response to Question 1(a)).

²¹ *Id.* at 26 (Response to Question 15(b)).

street time (LDC 22), under the stated assumption that those two hours were spent on one other letter route. In your response, assume that the rest of the scenario is as posited in the original question.

- a. How would the adjusted LDC for the final two hours be recorded if those two hours were spent on two or more letter routes other than the carrier's regular route?
- b. Define "overflow parcels" as parcel volume that a letter route carrier was unable to deliver on their first run through their regular route. How would the adjusted LDC for the final two hours be recorded if those two hours were spent delivering overflow parcels on a single letter route other than the carrier's regular route?
- c. How would the adjusted LDC for the final two hours be recorded if those two hours were spent delivering overflow parcels on two or more letter routes other than the carrier's regular route?